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STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING



THOMAS D. WATKINS, JR.  
SUPERINTENDENT OF  
PUBLIC INSTRUCTION

**FISCAL YEAR 2002  
CHILD AND ADULT CARE FOOD PROGRAM  
OPERATIONAL MEMO #14**

**TO:** Child and Adult Care Food Program Sponsors

**FROM:** Peggy Pawelek Brown, Manager  
Food and Nutrition Program

**DATE:** June 20, 2002

**SUBJECT: Late Payment Charges**

Late payment charges in contracts between Food Service Management Companies and School Food Authorities represent an unallowable cost pursuant to Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (Attachment B, 7) and OMB Circular A-122, Cost Principles for Non-Profit Organizations (Attachment B, 3). Child Nutrition Program operators subject to late payment charges cannot charge these costs to the nonprofit food service account. This prohibition extends to all Federal and nonfederal funds contained within the nonprofit food service account, not just Federal reimbursement payments. Therefore, Child Nutrition Program operators must use other sources of funds to pay late charges.

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